

## **TITLE 4. CALIFORNIA GAMBLING CONTROL COMMISSION**

### **NOTICE OF PROPOSED RULEMAKING**

#### **“Proposition Players and Gambling Businesses”**

The California Gambling Control Commission (“Commission”) proposes to adopt, amend, or repeal the regulations described below after considering all comments, objections, or recommendations regarding the proposed action.

**PROPOSED REGULATORY ACTION:** The Commission proposes to adopt sections 12200.1, 12200.3, 12200.5, 12200.7, 12200.9, 12200.11, 12200.13, 12200.15, 12200.16, 12200.17, 12200.18, 12200.19, 12200.20, 12200.25, 12202, 12203.1, 12204, 12205, 12218, 12218.15, 12218.17, 12218.19, 12220, 12221, 12223, 12224, 12225, 12226, 12227, 12228, 12229, 12230, 12231, and 12232; to amend section 12200, 12201, and 12203; and to repeal sections 12206, 12207, 12208, 12209, 12210, 12211, 12212, 12213, and 12214 of Title 4 of the California Code of Regulations, concerning (1) registration and licensing of proposition players and (2) registration of gambling businesses. Regulations on these topics were initially adopted on an emergency basis in October 2003. The current rulemaking action would make some of these emergency regulations permanent, would amend some of them, would repeal some of them, and would adopt new regulations.

### **PUBLIC HEARING**

The Commission will hold a public hearing starting at 1 p.m. on Thursday, August 5, 2004, at 2399 Gateway Oaks Drive, Suite 100, Sacramento, CA 95833-4231. The room is wheelchair accessible. At the hearing, any person may present statements or arguments orally or in writing relevant to the proposed action described in the Informative Digest.

### **WRITTEN COMMENT PERIOD**

Any interested person, or his or her authorized representative, may submit written comments relevant to the proposed regulatory action to the Commission at any time during the 45-day public comment period. To be considered for summary and response, all written comments must be

received no later than 5:00 p.m., Friday, July 30, 2004, or handed in at the public hearing on Thursday, August 5, 2004.

Written comments for the Commission's consideration should be directed to:

Herb Bolz, Senior Legal Counsel and Regulations Coordinator, California Gambling Control Commission, 2399 Gateway Oaks Drive, Suite 100  
Sacramento, CA 95833-4231; Telephone: 916-263-0490, E-mail:  
[hbolz@cgcc.ca.gov](mailto:hbolz@cgcc.ca.gov), FAX 916-263-0452.

## AUTHORITY AND REFERENCE

Authority for the proposed regulations is provided by various provisions of the Gambling Control Act, which may be found in Business and Professions ("B & P") Code sections 19800--19980. In particular, B & P Code sections 19984 and 19853(a)(3).

The reference citations are as follows: the proposed regulations implement, interpret, or make specific B & P Code sections 19805, 19840, 19841, 19853(a)(3), 19867, 19931, 19984, and 19951(c).

## INFORMATIVE DIGEST AND POLICY STATEMENT OVERVIEW

Existing state law (the Gambling Control Act) generally grants to the Commission jurisdiction and supervision over all cardrooms ("gambling establishments") in California and over all persons and things having to do with the operation of cardrooms. The Commission is directed, among other things, to assure that cardrooms are operated in a manner that protects public health, safety, and welfare. Existing law mandates adoption of regulations by the Commission containing criteria for the licensure and registration of persons providing proposition player services to cardrooms. House banking is prohibited in California cardrooms, but legislation has been enacted that recognizes certain kinds of player-banked games as an exception to restrictions on banked games. The Legislature has authorized third parties to enter into contracts with cardrooms for the third parties to act as player bankers in these games for the purpose of providing the capacity to cover bets made by cardroom patrons.

Large amounts of cash are utilized every day by the proposition player. The basic purpose of the regulations is to protect cardroom patrons and the general public from the corrupting influences of organized crime, money laundering, loan sharking, etc. The regulations create a program in which all proposition players are required to register with the Commission (and later be licensed by the Commission) and to submit contracts for review by the Division of Gambling Control. The regulations would also require set fees and require the creation and maintenance of records concerning cash handled by proposition players.

The regulation provides a similar registration program for gambling businesses that provide banking in player-banked games like third-party proposition players, but that do not have contracts or other agreements with the house. Many of the same considerations that prompted the Legislature to require regulation of third-party proposition players are equally applicable to these gambling businesses. It is the intent of the Commission to change this gambling business registration program into a licensing program, so that persons currently registered as proposition players are not tempted to evade the forthcoming proposition player licensing program and its more demanding background investigation procedures by seeking registration as gambling businesses.

#### DISCLOSURES REGARDING THE PROPOSED ACTION

**Mandate on local agencies and school districts:** These regulations do not impose a mandate on local agencies or school districts.

**Cost or savings to any state agency:** Costs to the Commission and to the Division of Gambling Control will be covered by fees.

**Cost to any local agency or school district that must be reimbursed in accordance with Government Code section 17561:** None

**Other non-discretionary cost or savings imposed upon local agencies:** None

**Cost or savings in federal funding to the state:** None

**Cost impact on representative private person or business:** Primary owners of proposition player companies will be required to pay annual fees in the amounts set in proposed Section 12200.20. All applicants applying for initial or renewal registration will be required to pay a \$500 application fee, as required by statute.

**Impact on Business:** The Commission has made an initial determination that the proposed regulatory changes will not have a significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

**Significant effect on housing costs:** The Commission has made an initial determination that the proposed regulatory action would not affect housing costs.

**Effect on small business:** The Commission has made the following initial determination: insofar as proposition player companies are small businesses, these companies will be required to pay substantial annual fees to defray the costs of providing regulation and oversight. The Legislature has directed that this program be fully supported by fees. Business and Professions Code section 19984.

## CONSIDERATION OF ALTERNATIVES

In accordance with Government Code section 11346.5(a)(13), the Commission must determine that no reasonable alternative considered by the Commission or that has otherwise been identified and brought to the attention of the Commission would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action.

## ASSESSMENT REGARDING CREATION OR ELIMINATION OF JOBS IN CALIFORNIA

The Commission has made an assessment and determined that the adoption of the proposed regulation will neither create nor eliminate jobs in the State of California nor result in the elimination of existing businesses or create or expand businesses in the State of California.

## CONTACT PERSONS

Inquiries concerning the substance of the proposed action should be directed to:

Herb Bolz, Senior Legal Counsel and Regulations Coordinator, California Gambling Control Commission, 2399 Gateway Oaks Drive, Suite 100  
Sacramento, CA 95833-4231; Telephone: 916-263-0490, E-mail:  
[hbolz@cgcc.ca.gov](mailto:hbolz@cgcc.ca.gov), FAX 916-263-0452.

Requests for a copy of the proposed text of the regulation, the initial statement of reasons, the modified text of the regulation, if any, or other technical information upon which the rulemaking is based should be directed to:

Herb Bolz, Senior Legal Counsel and Regulations Coordinator, California Gambling Control Commission, 2399 Gateway Oaks Drive, Suite 100  
Sacramento, CA 95833-4231; Telephone: 916-263-0490, E-mail:  
[hbolz@cgcc.ca.gov](mailto:hbolz@cgcc.ca.gov), FAX 916-263-0452.

## AVAILABILITY OF STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS

The Regulations Coordinator will have the entire rulemaking file available for inspection and copying throughout the rulemaking process at the office at the above address. As of the date this notice is published in the Notice Register, the rulemaking file consists of this notice, the proposed text of the regulation, and the Initial Statement of Reasons. A copy may be obtained by contacting the Regulations Coordinator at the address or telephone number listed above or accessing the Commission's website at <http://www.cgcc.ca.gov>. Upon its completion, the Final Statement of Reasons will be available and copies may be requested from the Regulations Coordinator or viewed on the website.

## AVAILABILITY OF CHANGED OR MODIFIED TEXT

Following the public hearing, the Commission may adopt the proposed regulation substantially as described in this notice. If modifications are

made which are sufficiently related to the originally proposed text, the modified text, with changes clearly indicated, will be made available to the public for at least 15 days prior to the date on which the Commission adopts the regulation. Requests for copies of any modified regulation should be sent to the attention of the Regulations Coordinator at the address indicated above. The Commission will accept written comments on the modified regulation for 15 days after the date on which it is made available.